

**COMMISSION DIRECTIVE**

|                        |                                     |            |                              |
|------------------------|-------------------------------------|------------|------------------------------|
| ADMINISTRATIVE MATTERS | <input type="checkbox"/>            | DATE       | <u><b>April 23, 2008</b></u> |
| MOTOR CARRIER MATTERS  | <input type="checkbox"/>            | DOCKET NO. | <u><b>2008-2-E</b></u>       |
| UTILITIES MATTERS      | <input checked="" type="checkbox"/> |            | <u></u>                      |

**SUBJECT:**

DOCKET NO. 2008-2-E – South Carolina Electric and Gas Company – Annual Review of Base Rates for Fuel Costs – A Hearing was Held on this Matter on March 27, 2008. This Matter is Ready for Final Disposition.

**COMMISSION ACTION:**

This fuel hearing was unusual in that a \$27 million positive balance in municipal fee collections was proposed to be addressed in this proceeding. It greatly concerns me that such a large positive balance was allowed to accumulate over a period of years before South Carolina Electric & Gas Company (SCE&G) decided to address this issue of over collection of municipal fees. Not all of SCE&G's customers pay municipal fees. However, the settlement submitted in this Docket proposed to return this over collection to all customers, regardless of whether or not the customers paid a municipal fee. While the treatment of the over collection is not ideal, the oral testimony at the hearing, the prefiled testimony, and the settlement reluctantly convince me that the proposed method of distributing the \$27 million over collection to all customers is the most practical method, the most efficient method, and the method that ensures that all of the over collection is returned to the Company's ratepayers. In addition, it returns the majority of the benefit to the customer classes that have most directly contributed to the creation of the over collection, and manages future payments into the account in a way that will not allow any over collections to accumulate in the pre-paid account.

Therefore, I move that we find as follows:

1. Hold that the fuel purchasing practices, plant operations, and fuel inventory management of SCE&G are prudent;
2. Accept and approve as reasonable and in the public interest the Settlement Agreement submitted by the parties and testified to by the witnesses;
3. Approve \$27 million in credits to electric customer classes from the Prepaid Municipal Fee Account. Under the circumstances, this seems to be the most efficient way to credit customers with the positive balance in that account. The credits are to be applied directly to total environmental costs included in the total fuel costs;
4. Order that SCE&G set its fuel components as follows:
  - a. A base fuel component of 2.641 cents/ kWh for all classes;
  - b. For the residential class, set an environmental fuel cost component of 0.101 cents/kWh, for a total fuel cost factor of 2.742 cents/kWh;
  - c. For the SGS class, set an environmental fuel cost component of 0.087 cents/kWh, for a total fuel cost factor of 2.728 cents/kWh;
  - d. For the MGS class, set an environmental fuel cost component of 0.075 cents/kWh, for a total fuel cost factor of 2.716 cents /kWh;
  - e. For the LGS class, set an environmental fuel cost component of 0.044 cents/kWh, for a total fuel cost factor of 2.685 cents/kWh;
  - f. For the Lighting class, set the base fuel component only at 2.641 cents/kWh;

(These factors will be applicable beginning with the first billing cycle in May 2008 extending through the last billing cycle of April 2009. Also, in establishing the fuel cost recovery factors, the terms of Paragraph 2(C) of Exhibit 1 to Order No. 2006-235(A) (the 2006 Settlement Agreement) have been applied to calculate carrying costs for the period May 1, 2007 through April 30, 2008. The carrying cost terms of the 2006 Settlement Agreement will not apply beyond April 30, 2008.)

5. Order the parties to abide by all terms and conditions of the Settlement Agreement;
6. Approve all accounting adjustments proposed by ORS witness Jacqueline R. Cherry and the amendments to the tariff sheet set forth by ORS witness Michael L. Seaman-Huynh in his exhibit MSH-9;
7. Order that SCE&G file an original and ten (10) copies of the South Carolina Retail Adjustment for Fuel Cost Tariff within ten (10) days of receipt of an Order from this Commission;
8. Order SCE&G to comply with the notice requirements set forth in S.C. Code Ann. Section 58-27-865 (B) (Supp. 2007);
9. Order SCE&G to file monthly reports, which include information on the balance in the Prepaid Municipal Fee Account.
10. Order SCE&G to account monthly to the Commission, ORS, and SCEUC for differences between the recovery of fuel costs through base rates and actual fuel costs experienced by booking the difference to unbilled revenues with a corresponding deferred debit or credit.
11. Order SCE&G to monitor the cumulative recovery account;
12. Order SCE&G to submit monthly reports to the Commission and ORS of fuel costs and scheduled and unscheduled outages of generating units with a capacity of 100 MW or greater.

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|-----------|-------------------------------------|-------------------------------------|--------------------------|------------|--------------------------------|
| PRESIDING | <u>Hamilton</u>                     |                                     |                          |            | Session: Regular               |
|           | MOTION                              | YES                                 | NO                       | OTHER      | Time of Session <u>2:30 PM</u> |
| CLYBURN   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |            | APPROVED _____                 |
| FLEMING   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |            | APPROVED STC 30 DAYS _____     |
| HAMILTON  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |            | ACCEPTED FOR FILING _____      |
| HOWARD    | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |            | DENIED _____                   |
| MITCHELL  | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |            | AMENDED _____                  |
| MOSELEY   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |            | TRANSFERRED _____              |
| WRIGHT    | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | Not Voting | SUSPENDED _____                |
|           |                                     |                                     |                          |            | CANCELED _____                 |
|           |                                     |                                     |                          |            | SET FOR HEARING _____          |
|           |                                     |                                     |                          |            | ADVISED _____                  |
|           |                                     |                                     |                          |            | CARRIED OVER _____             |
|           |                                     |                                     |                          |            | RECORDED BY <u>SCHMIEDING</u>  |

Commissioner Wright was on Sick Leave the Day of the Hearing